

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

PERIODIC REPORTING  
(PROPOSAL TWELVE)

Docket No. RM2015-5

**RESPONSES OF THE UNITED STATES POSTAL SERVICE  
TO QUESTIONS 1-4 OF CHAIRMAN'S INFORMATION REQUEST NO. 2**  
(October 20, 2015)

The United States Postal Service hereby provides its responses to Questions 1-4 of Chairman's Information Request No. 2, issued October 8, 2015. The questions are stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorney:

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**RESPONSE OF THE UNITED STATES POSTAL SERVICE TO  
PRESIDING OFFICER'S INFORMATION REQUEST NO. 2**

1. Please refer to page 3, Attachment 1 of the Status Report, where the Postal Service states that "the analysis dataset is limited to just 17 quarterly observations," thereby limiting the robustness of the variability equations in the cost model.
  - a. Please explain whether it is possible to disaggregate the quarterly observations into monthly, weekly, and/or daily observations.
  - b. If it is possible to disaggregate the quarterly observations, please provide a re-run cost model, with supporting workpapers, which utilizes the disaggregated observations.

**RESPONSE:**

Although the number of calls recorded in the call centers can be compiled on a monthly basis, the associated volumes are available only on a quarterly basis. Thus, obtaining call data at a higher frequency is of no use in estimating the models.

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2. Please refer to page 6, part C, Attachment 1 of the Status Report, which details the estimation of the variability equations for the different call center functions.
- a. On page 8 of the Status Report, the Postal Service states that since "GoPost relates to the delivery of parcels to lockers...", the relevant volume for measuring variability is parcel volume." Similarly, on page 12 of the Status Report the Postal Service states that the relevant volume for measuring the variability of redeliveries is "total parcel volume."
    - i. Please confirm that GoPost and redelivery volumes can be used to measure variability in place of total parcel volume. If confirmed, please explain whether using GoPost and redelivery volumes would improve the proposed variability equations.
    - ii. If not confirmed, please explain why GoPost and redelivery volumes cannot be used in place of total parcel volume.
  - b. Please refer to page 15, Attachment 1 of the Status Report, where the Postal Service explains that selling stamps was not the initial purpose of the call centers and that they have "evolved to accommodate the occasional request to purchase stamps over the telephone." The Postal Service adds that call center personnel indicate that few calls relating to stamps result in the sale of stamps.
    - i. Please provide the proportion of calls about stamps that result in the sale of stamps.
    - ii. Given the Postal Service's statement that few calls concerning stamps result in the sale of stamps, please explain why it is appropriate to use total stamp volume for determining the variability of calls concerning stamps.
    - iii. Please confirm that a more accurate variable could be used to determine the variability of calls concerning stamps that do not result in the sale of stamps. If confirmed, please explain how such a variable would be developed. If not confirmed, please explain why it is not possible to develop a more accurate variable.

**RESPONSE:**

- a.
  - i. Not confirmed
  - ii. GOPost Volumes cannot be used because they are not available. Redelivery volumes cannot be used because there are only 5 quarters of data available.

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b. i. The exact proportion of calls regarding stamps that resulted in sales of stamps was not available.

ii. While few calls pertaining to stamps result in the sale of stamps, the calls are still about one specific thing: stamps. Even if no procedures had been established to allow stamps to be purchased in the course of these calls (i.e., there were *no* calls that resulted in the sale of stamps), there would still be calls pertaining to the stamps that had been obtained from other channels (i.e., total stamp sales).

iii. Not confirmed. All stamp sales is still the most accurate variable which can be used to determine the variability of calls concerning stamps -- whether those calls result in the sale of stamps or not. The Postal Service believes that all calls concerning stamps should be evaluated for possible attribution, because if stamps did not exist, the calls would not occur. Stamps and all the activities for the sale of stamps directly cause this particular cost. The variability just measures the rate at which calls about stamps vary as stamp sales increase or decrease.

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3. Please refer to page 17, Table 6, Attachment 1 of the Status Report. In this table, the effect of contemporaneous parcel volume is shown to be statistically insignificant and the effect of lagged parcel volume is shown to be statistically significant. Please identify and discuss the likely economic and/or operational causes for the statistical insignificance of contemporaneous volume.

**RESPONSE:**

In this instance, the likely cause for the insignificance of the contemporaneous volume term is statistical and not economic or operational. That is, it likely to be caused by imprecision in the estimate associated with the use of a limited amount of data. If this result were to survive estimation of a transfer function model based upon materially more data, then it would be appropriate to investigate possible economic or operational causes.

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4. On page 20, Attachment 1 of the Status Report, the Postal Service states that the data "is not yet sufficient to overturn the initial assumption that the volume-variable call center variabilities are 100 percent."
- a. Please explain how many additional quarterly (or, if applicable, monthly, weekly, or daily) observations would be necessary to overturn this initial assumption.
  - b. Given the eventual availability of more complete data, please explain when the Postal Service expects to reassess the robustness of the call center variabilities models.

**RESPONSE:**

a. There is no exact number of observations necessary to produce an econometric model useful for investigating the assumption. The key issue is that there are sufficient data to produce a sufficiently stable estimated model that supports making reliable inferences.

. b. The software used by the Customer Care Centers is continually being upgraded with newer versions which better suit the Postal Service's needs. The Customer Care Centers, staffed by Postal Service employees, are still in their infancy; hence, the availability of data and the need for data are not on the same timeline. The Postal Service is continually monitoring the upgrades and the data provided and will reassess the robustness of the call center variabilities models when data can reliably be provided to the Commission. At this time, the Postal Service is providing the most complete and reliable data available.